

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Shrewsbury Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: October 1, 2021

This Commission is hereby furnishing you with approval of the revised funding schedule the Board recently adopted (copy enclosed). The schedule is effective in FY22 and FY23 only.

The System has a funded ratio slightly in excess of 100%. The schedule determined appropriations for FY22 and FY23 as essentially twice that of the normal cost. This is a reasonable approach for those years. Since the schedule decreases dramatically in FY24, we are only approving the schedule through FY23. We generally recommend that a System maintains an appropriation of at least the normal cost until the System is well overfunded (130% for example).

The Board maintained a 7.5% investment return assumption in this valuation. Note that this is greater than the high end of our reasonable range for this assumption as of January 1, 2021. We are typically recommending an assumption of 7.0% (or lower) for our 2021 actuarial valuations. Our reasonable range for our 2021 valuations is 6.0% to 7.45%. For comparison, 32 systems are using an assumption of 7.0% or below. We expect this to increase to about 40 when all the 2021 valuations are completed. We roughly estimated that the System could have an unfunded liability of over \$5 million if a 7.0% investment return assumption were used.

We are available to discuss these issues further. If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

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[https://shermanactuary-my.sharepoint.com/personal/dan_shermanactuary_com/Documents/Recovered Data/Shrewsbury/Val21/\(Shrew21_Val.xlsm\)Inputs](https://shermanactuary-my.sharepoint.com/personal/dan_shermanactuary_com/Documents/Recovered%20Data/Shrewsbury/Val21/(Shrew21_Val.xlsm)Inputs)

Appropriation Forecast

Fiscal Year	Employee Payroll*	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Funded Ratio %**
2022	\$26,189,777	\$2,364,517	\$621,281	\$437,083	\$1,058,364	4.0	101.4
2023	\$27,237,368	\$2,481,366	\$622,694	\$431,127	\$1,053,821	3.9	101.8
2024	\$28,326,863	\$2,603,779	\$623,225	(\$560,195)	\$63,030	0.2	102.2
2025	\$29,459,937	\$2,732,016	\$622,803	(\$560,195)	\$62,608	0.2	101.9
2026	\$30,638,335	\$2,866,345	\$621,350	(\$560,195)	\$61,155	0.2	101.7
2027	\$31,863,868	\$3,007,049	\$618,784	(\$560,195)	\$58,589	0.2	101.4
2028	\$33,138,423	\$3,154,424	\$615,019	(\$560,195)	\$54,824	0.2	101.2
2029	\$34,463,960	\$3,308,777	\$609,963	(\$560,195)	\$49,768	0.1	100.9
2030	\$35,842,518	\$3,470,431	\$603,518	(\$560,195)	\$43,323	0.1	100.6
2031	\$37,276,219	\$3,639,724	\$595,581	(\$560,195)	\$35,386	0.1	100.3
2032	\$38,767,268	\$3,817,007	\$586,044	\$0	\$586,044	1.5	100.0
2033	\$40,317,958	\$4,002,650	\$574,791	\$0	\$574,791	1.4	100.0
2034	\$41,930,677	\$4,197,037	\$561,700	\$0	\$561,700	1.3	100.0
2035	\$43,607,904	\$4,400,570	\$546,642	\$0	\$546,642	1.3	100.0
2036	\$45,352,220	\$4,613,671	\$529,481	\$0	\$529,481	1.2	100.0
2037	\$47,166,309	\$4,836,779	\$510,072	\$0	\$510,072	1.1	100.0
2038	\$49,052,961	\$5,070,354	\$488,263	\$0	\$488,263	1.0	100.0
2039	\$51,015,080	\$5,314,876	\$463,894	\$0	\$463,894	0.9	100.0
2040	\$53,055,683	\$5,570,847	\$436,793	\$0	\$436,793	0.8	100.0
2041	\$55,177,910	\$5,793,681	\$454,265	\$0	\$454,265	0.8	100.0
2042	\$57,385,026	\$6,025,428	\$472,436	\$0	\$472,436	0.8	100.0
2043	\$59,680,428	\$6,266,445	\$491,333	\$0	\$491,333	0.8	100.0
2044	\$62,067,645	\$6,517,103	\$510,987	\$0	\$510,987	0.8	100.0
2045	\$64,550,350	\$6,777,787	\$531,426	\$0	\$531,426	0.8	100.0
2046	\$67,132,364	\$7,048,898	\$552,683	\$0	\$552,683	0.8	100.0
2047	\$69,817,659	\$7,330,854	\$574,790	\$0	\$574,790	0.8	100.0
2048	\$72,610,365	\$7,624,088	\$597,782	\$0	\$597,782	0.8	100.0
2049	\$75,514,780	\$7,929,052	\$621,693	\$0	\$621,693	0.8	100.0
2050	\$78,535,371	\$8,246,214	\$646,561	\$0	\$646,561	0.8	100.0
2051	\$81,676,786	\$8,576,063	\$672,423	\$0	\$672,423	0.8	100.0
2052	\$84,943,858	\$8,919,105	\$699,320	\$0	\$699,320	0.8	100.0
2053	\$88,341,612	\$9,275,869	\$727,293	\$0	\$727,293	0.8	100.0

* Calendar basis

** Beginning of Fiscal Year